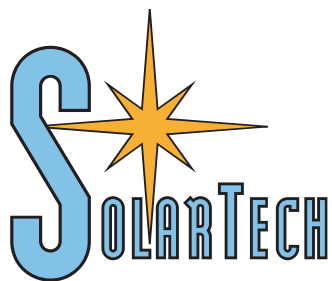


ANNUAL REPORT 2004



SOLARTECH INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

CHAU Lai Him (*Chairman and Managing Director*)

ZHOU Jin Hua (*Deputy Chairman*)

LAU Man Tak

LIU Jin Rong

Independent Non-Executive Directors

CHUNG Kam Kwong

LO Kao Cheng

LO Wai Ming

COMPANY SECRETARY

LAU Man Tak

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 7, 2nd Floor

Kingsford Industrial Centre

13 Wang Hoi Road

Kowloon Bay

Kowloon

Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

26th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited

G/F, Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited

CITIC Ka Wah Bank Limited

DBS Bank (Hong Kong) Limited

Equitable PCI Bank, Inc., Hong Kong Branch

HSH Nordbank, Hong Kong Branch

The Hong Kong and Shanghai Banking

Corporation Limited

UFJ Bank Limited

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 March 2004, total sales of the Group increased 26.5% to approximately HK\$1,197 million (2003: approximately HK\$946 million), out of which sales of cable and wire products amounted to approximately HK\$613 million, representing an increase of 2.8% and accounting for 51.3% of the Group's total sales. Sales of copper rod products during the year amounted to approximately HK\$472 million, representing a substantial increase of 76.6% and accounting for 39.4% of the Group's total sales. Sales of connectors and terminals increased by 25% to approximately HK\$102 million, accounting for 8.6% of the Group's total sales. The Group's loss as at 31 March 2004 amounted to approximately HK\$85 million. Excluding impairment loss in respect of goodwill, share of results of associates and provisions in respect of debtors, amounting in aggregate to approximately HK\$96 million which has been charged to the profit and loss account for the year, the actual profit for the year would have been approximately HK\$11 million.

DIVIDENDS

The directors do not recommend payment of any dividend for the year ended 31 March 2004.

BUSINESS REVIEW

In terms of geographical breakdown, sales from our PRC and Hong Kong business showed a 46.5% increase to approximately HK\$813 million, accounting for 68% of the Group's turnover, while turnover for our business in America decreased by 6.4% to approximately HK\$201 million, accounting for 16.8% of the Group's turnover. Turnover for our business in other Asian markets amounted to approximately HK\$143 million, representing an increase of about 17.4% and accounting for 12% of the Group's turnover. Sales from our European business amounted to approximately HK\$39 million, accounting for approximately 3.2% of the Group's total sales.

Our consolidated gross profit margin was 11.6%, down from 16.2% for the previous year, while operating profit decreased to approximately HK\$5 million (2003: approximately HK\$48 million), after taking into account a provision for debtors of approximately HK\$27 million. Meanwhile, the Group's distribution costs were also reduced by 9.1% to approximately HK\$18 million (2003: approximately HK\$20 million) or 1.5% of the amount of sales. The decline of the Group's operating profit was mainly attributable to three factors. First of all, raw material prices had been on the rise since the beginning of the 2003/04 financial year, with substantial increase in the prices of major raw materials such as copper cathode. Moreover, customers' call for price cuts remained a constant source of pressure. Furthermore, in 2004, restraining of bank lending through macroeconomic measures in the PRC has led to delays in settling some of the debtors by certain customers which requested for further extensions of credit terms and/or repayment periods. Despite gradual remission in the effects of the relevant macroeconomic measures, the Directors considered that it was prudent to make a provision for debtors. The Group's manufacturing operations continued to face challenging conditions presented by adverse global economic conditions, including the upsurge of commodity prices around the world and economic setback following the outbreak of severe acute respiratory syndrome (SARS) in the first quarter of the financial year. The management made adjustments to minimize the adverse impact of such totally unexpected development, amidst confusion and a lack of direction in customers' demand. The demand for electronic products rebounded generally in the second quarter of the current financial year as SARS came under control and consumers regained confidence.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW (continued)

Despite the SARS outbreak in Hong Kong and the PRC, the Group's operations had not been significantly affected. Preventive measures were implemented at the Group's offices in Hong Kong and Singapore and its factories in the PRC and Malaysia during the epidemic. Fortunately, none of the Group's employees were infected, and our offices and factories in various locations were able to maintain normal operations during the outbreak.

Cable and Wire Products

During the year under review, the Group's cable and wire manufacturing operations were met with numerous challenges. Sales and marketing activities in the industry originally scheduled for the beginning of the year were delayed owing to the looming SARS, and customers' orders were also postponed as a result. Market sentiments started to improve in June 2003, when the SARS epidemic gradually receded and the global economy began to show signs of recovery. There were improvements in both consumer spending and business confidence as economic recovery around the world gained pace. However, the market still experienced volatility from time to time as uncertainties continued to loom amid geopolitical tensions and the fear for terrorist attacks. Manufacturers around the world, notably those based in Europe and the United States, were reluctant to raise prices and increase stocks. Consequently, downstream manufacturers of wires and cables were obliged to handle ad-hoc orders with lower profit margin. At the same time, the prices of copper cathode and PVC resin increased in tandem with the global economic recovery. The copper price quoted at London Metal Exchange (LME) increased as much as 41% to an average of US\$2,394 per ton for the half-year period from October 2003 to March 2004 from US\$1,697 per ton for the period from April to September 2003, resulting in further pressure in manufacturing costs. The impact was notably underpinned by surplus stock and "throat-cutting" discounts in prices compelled by drastic fall in customer demand. The Group's profitability was also affected as it was required to provide provision for allowance in favor of customers and to dispose of slow-moving stock. Coupled with the fact that the peak season of the Group's wire and cable production falls in the period from May to October each year but not the second half of the current financial year, the wire and cable business was facing even greater challenges.

Despite intense market competition and increasing uncertainties in customer orders, the Group was still able to record growth in sales generated from its wire and cable business due to enhanced efforts in sales and marketing. There are indications that an increasing number of domestic and foreign enterprises are pursuing the dual emphasis on domestic sales and export sales as a long-term operational strategy, as the Yangtze River Delta has become a preferred base for companies seeking to tap the Eastern China and overseas markets. Given our increasingly strong customer base, we are looking forward to capture the vast opportunity in domestic and export sales presented by the Yangtze River Delta with the construction of our new plant in Kunshan, Jiangsu, the PRC, which is scheduled to commence production at the end of 2004 or early 2005.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW (continued)

Copper Rod Products

The copper rod business has been performing well in recent years. During the year under review, the copper rod operations recorded sales of approximately HK\$472 million, representing a year-on-year growth of 76.6%. Global economic recovery propelled growth in global copper consumption during the year under review. On the other hand, there was an apparent lack of balance in the global demand and supply of processed copper as global copper production lagged behind the growth in consumption because of insufficient supply of raw materials for copper products. Meanwhile, the trend of improving the quality of copper processing and lowering inventory level resulted in ongoing recovery of copper prices. It should be noted that global copper prices surged in the fourth quarter of 2003. The average closing price for copper quoted on LME was US\$2,046 per ton for the year under review, which was US\$460 or 29% up compared to the corresponding period in the previous year. The Copper Group had been engaged in technological enhancement since 2002, expanding its production capacity by upgrading its machinery to realize untapped potential. The copper rod business recorded 34,685 tons in annual production, registering a year-on-year increase of 25.2%. The significant rise in copper prices also contributed to the dramatic increase in sales of the copper rod business.

Concerning the Sale of Interests in the Copper Rod Business and Acquisition of Controlling Interests in FT Holdings International Limited ("FT Holdings")

On 25 March 2004, the Group and FT Holdings entered into an acquisition agreement, pursuant to which, the Group agreed to procure the sale and FT Holdings agreed to procure the purchase of copper rod business of the Group. The aggregate consideration is at an agreed value of HK\$320 million which will be satisfied by the issue and allotment of 8,000 million New FT Shares at a notional price of HK\$0.04 each by FT Holdings to the Company upon completion. Immediately after the completion, the Company will hold approximately 75.5% of the issued share capital of FT Holdings as enlarged by the issue of consideration shares. The transaction constitutes a major transaction of the Company under the Listing Rules, which requires Independent Shareholders' approval. The Company obtained Independent Shareholders' approval in the Extraordinary General Meeting held on 30 June 2004.

The Directors believe that the injection of the copper rod business into another listed company will endow the business with independent financing capabilities. The Directors consider that the transaction brings about an excellent opportunity for the Group to realize its investment in the copper rod business at a reasonable price, while maintaining its controlling interests in such business and sharing the results of the copper rod business by virtue of its shareholdings in FT Holdings. The Directors consider that the transaction is in the interest of the Company and its shareholders as a whole.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW (continued)

Connectors and Terminals

Thanks to enhanced sales and marketing efforts, improved management and logistical controls, optimal allocation of resources and increased production efficiency, the Group's production base for connectors and terminals in Penang, Malaysia recorded satisfactory growth in sales and profit for the year under review despite increasing competition in the market. The Group was able to satisfy customers' requirements in terms of product prices and service quality, helping customers to consolidate and expand their market shares. The Directors are convinced that this is vital for reinforcing the strategic alliance between the Group and its customers, and is set to provide an important assurance for the Group's long-term and stable growth.

With a view to a more pro-active approach to improving the profitability of the connector and terminal business, the Group constructed a new production line for connectors and terminals in Qingdao, Shandong, the PRC, which was commissioned in June 2004 after machinery installation. Moreover, the effectiveness of the connectors and terminals supplied by the Group has gained further recognition from domestic and foreign enterprises following more vigorous marketing activities in major markets in East China and North China. The Directors believe that this will provide strong support for the connector and terminal plant in Qingdao, Shandong, the PRC to generate sound results.

PROSPECTS

Notwithstanding an increasingly competitive environment, the Group's overall business outlook remains positive. The Group's business in the coming year might be subject to power supply shortage in the PRC, the recent macro-economic controls implemented by the PRC government, rising raw material prices and ongoing interest rate hikes. The Group will continue to invest to product development, technology, design, marketing and entrepreneurship. The Group attaches great importance to containing operating costs as a means to uphold competitiveness and the success of the Group's cost reduction programs, including headcount reduction, is evidenced by lower administrative expenses. In addition, a streamlined operation will also enable the Group to make substantial savings in logistical expenses. Such measures help to reduce costs and thereby increase profit generated from business operations.

With an average annual GDP growth of 7%, China has become the unquestionable new driving force in the global economy. The Group is fully confident and optimistic in the long-term development potential of the China market, and will focus on the development and upgrade of the quality of products and services provided by the Group.

Looking to the future, the Group will continue to identify investment opportunities apart from organic growth that promise to add value. The Directors firmly believe that with the Group's solid foundations and the management's dedication, the Group is well positioned to enhance its competitiveness and cope with new challenges in the market in the coming year, which is expected to be evermore challenging.

CHAIRMAN'S STATEMENT

EMPLOYEES

As at 31 March 2004, the Group had approximately 5,300 employees in Hong Kong, the PRC and overseas. Remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group has implemented sound financial management policy. The Group had cash and bank balances (including pledged bank deposits) amounted to of approximately HK\$166 million (2003: HK\$119 million) and net current assets value being over HK\$306 million (2003: HK\$240 million). The Group's gearing ratio as at 31 March 2004 was 0.37 (2003: 0.28 restated), being the ratio of total bank borrowings of approximately HK\$295 million (2003: HK\$216 million) to shareholders' funds of approximately HK\$803 million (2003: HK\$772 million restated).

As at 31 March 2004, the Group pledged certain property, plant and machinery, fixed deposits and trade debtors with an aggregate net book value of HK\$181 million (2003: HK\$166 million) to secure general banking facilities granted to the Group.

As at 31 March 2004, the Company has guaranteed the banking facilities granted to its subsidiaries amounting to approximately HK\$229 million (2003: HK\$153 million).

The transactions of the Group are mostly denominated in HK\$, US\$ and RMB. As the exchange rates of these currencies have been relatively stable, the Group was therefore not exposed to any significant exchange risk.

PLACING OF EXISTING SHARES AND SUBSCRIPTIONS OF NEW SHARES

Pursuant to the placing and subscription agreements dated 8 September 2003, Chau's Family 1996 Limited ("Chau's Family"), a substantial shareholder of the Company, placed 37,900,000 ordinary shares of HK\$0.01 each in the capital of the Company to independent investors at a price of HK\$0.50 per share and subscribed for 37,900,000 new ordinary shares of HK\$0.01 each in the capital of the Company at a price of HK\$0.50 per share. The Group had applied the net proceeds of approximately HK\$18.6 million from the subscription as general working capital.

Pursuant to the placing and subscription agreements dated 20 November 2003, Chau's Family placed 45,490,000 ordinary shares of HK\$0.01 each in the capital of the Company to independent investors at a price of HK\$0.55 per share and subscribed for 45,490,000 new ordinary shares of HK\$0.01 each in the capital of the Company at a price of HK\$0.55 per share. The Group had applied the net proceeds of approximately HK\$24 million from the subscription as general working capital.

CHAIRMAN'S STATEMENT

CONDITIONAL ACQUISITION AGREEMENT WITH FT HOLDINGS

On 25 March 2004, the Company entered into a conditional acquisition agreement with FT Holdings. Pursuant to the agreement, the Company will dispose of the business of manufacture and trading of copper rods and related products to FT Holdings at an agreed value of HK\$320 million. Details of the transaction are set out in the Company's circular to the shareholders dated 14 June 2004.

On 30 June 2004, the special general meeting of the Company ("Solartech SGM") was held for the purpose of approving the transaction and the resolution was duly passed as an ordinary resolution of the Company by way of poll at the Solartech SGM.

POST BALANCE SHEET EVENT

Placing of Existing Shares and Subscription of New Shares

Pursuant to the placing and subscription agreements dated 17 June 2004, Chau's Family placed 54,000,000 ordinary shares of HK\$0.01 each in the capital of the Company to independent investors at a price of HK\$0.27 per share and subscribed for 54,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company at a price of HK\$0.27 per share. On completion of the subscription on 28 June 2004, 54,000,000 shares were issued and allotted to Chau's Family and net proceeds from the subscription of approximately HK\$14.2 million would be used by purchasing raw materials (including copper cathode and PVC resin) for production of cables and wires.

ANNUAL GENERAL MEETING

The 2004 Annual General Meeting of the Company ("2004 Annual General Meeting") will be held on Friday, 10 September 2004.

CLOSURE OF REGISTERS OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2004 Annual General Meeting, the register of members will be closed from Thursday, 9 September 2004 to Friday, 10 September 2004, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company branch registrar in Hong Kong, Secretaries Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 8 September 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2004.

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Directors resolved to propose certain amendments to the Bye-laws of the Company in compliance with the new requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which became effective on 31 March 2004. Details of the proposed amendments will be set out in the Notice of the 2004 Annual General Meeting of the Company.

CHAIRMAN'S STATEMENT

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange, except that the independent non-executive directors are not appointed for a specific term.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, shareholders, staff and management for their continuous dedication, commitment and support in the past year.

By order of the Board
Chau Lai Him
Chairman

Hong Kong SAR, 23 July 2004

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAU Lai Him, aged 52, is the chairman and managing director of the Group and the founder of the Group. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 25 years' experience in the manufacturing of cable and wire products.

Mr. ZHOU Jin Hua, aged 46, joined the Group in 1986 and is the deputy chairman of the Group and the general manager of the Group's Dongguan manufacturing facilities. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 15 years' experience in the manufacturing of cable and wire products.

Mr. LAU Man Tak, Ronald, aged 35, joined the Group in November 2001 and is the finance director and company secretary of the Group. He is responsible for the overall management of the Group's financial matters. He holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University and has more than 10 years' corporate finance, accounting and auditing experience. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Society of Accountants. He is also a member of the Hong Kong Securities Institute.

Mr. LIU Jin Rong, aged 30, joined the Group in 1998 and is the administration manager of Qiaozi Chau's Electrical Company Limited. He has more than 5 years' experience in human resources management in PRC. He is the son-in-law of the sister of Mr. Chau Lai Him.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Kam Kwong, aged 46, is a practicing Certified Public Accountant in Hong Kong and is a fellow member of the Hong Kong Society of Accountants and a certified practicing accountant of CPA Australia, and a council member of the Macau Society of Certified Practicing Accountants. Mr. Chung has extensive experience in accounting and financial management and has been the independent non-executive director, management consultant and company secretary of a number of listed companies in Hong Kong.

Mr. LO Kao Cheng, aged 54, is the general manager of Sunf Pu Electric Wire & Cable Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 30 years' experience in the cable and wire industry.

Mr. LO Wai Ming, Paulus, aged 52, is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 25 years' extensive experience in investment, consumer marketing, infrastructure management, business development and corporate finance. He holds a master degree in Business Administration of the Chinese University of Hong Kong. He is a member of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. HO Pang Cheng, Vincent, aged 47, joined the Group in February 1999 and is the general manager of the Group's Singapore and Malaysia trading and manufacturing operations. He holds a master degree in business administration from the University of Strathclyde, the United Kingdom; a professional diploma in marketing from the Chartered Institute of Marketing, the United Kingdom; a technical diploma in electrical & electronic engineering and a post graduate diploma in marketing management from Singapore. He has over 20 years of sales and marketing, business development and management experience in the electrical & electronics industries.

Ms. CHAN Kam Yee, Shirley, aged 44, rejoined the Group as the compliance manager in February 2001. She is responsible for handling corporate secretarial affairs. She has more than 15 years' experience in finance and accounting and more than 10 years' experience in corporate secretarial affairs. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Society of Accountants.

Mr. HUI Chun Lam, Eric, aged 31, rejoined the Group in August 2001 and is the assistant accounting manager of Chau's Electrical Co., Ltd. He is responsible for accounting and financial controls for the Group's China operations. He holds a bachelor's degree in business, major in accounting, from the Edith Cowan University in Australia. He is a certified practicing accountant of CPA Australia and an associate member of the Hong Kong Society of Accountants. He has extensive experience in corporate finance, accounting and auditing.

Mr. KWOK Wing Cheong, Evans, aged 41, rejoined the Group in May 2004 and is the logistics manager of the Group. He is responsible for material controls, purchasing, warehouse management and customer services of the Group. He has more than 10 years' experience in operations management and of which more than 4 years is in the field of wire and cable products.

Ms. LAM Sui Lan, Miranda, aged 35, rejoined the Group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 10 years' experience in sales and marketing and of which more than 5 years is in the field of wire and cable products.

Ms. LEE Chak Yan, June, aged 27, joined the Group in April 2000 and is the Head of Human Resources and Administration of the Group. She is responsible for the Human Resources Management and General Administration of the Group. She holds a bachelor's degree of business administration, major in human resources management from the RMIT University, Australia and has more than 5 years' experience in human resources and administration.

Mr. Liew Pin Hean, aged 50, joined the Group in January 1999 and is the general manager of Todaiji Electronics (M) Sdn. Bhd. He holds a master degree in business administration from the University of Aston in the United Kingdom and a bachelor's degree of Arts, majoring in economics, from Birmingham Polytechnic in the United Kingdom. He has more than 20 years' experience in overall manufacturing management and more than 10 years' in the field of cable assemblies and wire harnesses industries.

DIRECTORS AND SENIOR MANAGEMENT

Mr. OR Chung Hung, Ken, aged 38, joined the Group in February 2001 and is the quality manager of the Group. He is responsible for overall quality management for the group manufacturing plants. He holds a master degree in information technology for manufacture from the University of Warwick, the United Kingdom and has more than 10 years' experience in quality management.

Mr. WONG Kam Wah, George, aged 42, joined the Group in July 1997 and is the information technology manager of the Group. He holds a bachelor's degree of computing science from the University of Ulster, the United Kingdom and a higher diploma in computer studies from the City Polytechnic of Hong Kong. He has more than 12 years' experience in information technology and computerized manufacturing management.

Mr. YUAN Hai Xiang, aged 37, joined the Group in January 1986 and is the operations manager of Dongguan Hua Yi Brass Products Co., Ltd. He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 15 years' experience in operations management.

Mr. ZHOU Qi Qin, aged 40, joined the Group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd. He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 15 years' experience in manufacturing management.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 11, 12 and 13 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of a dividend.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 66.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$24,996,000 on the acquisition of property, plant and equipment to expand the Group's production facilities.

The leasehold land and buildings of the Group were revalued on 31 March 2004. The revaluation resulted in a net surplus over book values of HK\$7,708,000 which has been credited directly to the asset revaluation reserve.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of changes during the year in the share capital of the Company are set out in note 22 to the financial statements.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Chau Lai Him (*Chairman and Managing Director*)

Mr. Zhou Jin Hua

Mr. Lau Man Tak

Mr. Liu Jiu Rong

Mr. Szeto Chak Wah

(resigned on 10 July 2003)

Independent non-executive directors:

Mr. Lo Kao Cheng

Mr. Lo Wai Ming

Mr. Chung Kam Kwong

Except for the Chairman, all directors are subject to retirement by rotation.

In accordance with Clause 87(1) and Clause 86(2) of the Company's Bye-Laws, Messrs. Zhou Jin Hua and Lo Kao Cheng shall retire and, being eligible, offer themselves for re-election. The remaining directors continue in office.

Independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

(i) Shares

As at 31 March 2004, the interests of the directors and their associates in the shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the shares of the Company

Name of director	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	55,752,000 <i>(Note)</i>	20.42%

Note: These shares are held by Chau's Family 1996 Limited which is wholly owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him is a discretionary object.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES (continued)

(ii) Share options

On 16 September 2002, the Company adopted a New Share Option Scheme (the "New Share Option Scheme") which replaced the Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme").

No options were granted under the New Share Option Scheme since its adoption.

The following table discloses movements in the Company's share options held by the directors under the Old Share Option Scheme during the year:

Name of director	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
					Outstanding at 1.4.2003	Lapsed during the year	Outstanding at 31.3.2004
Mr. Zhou Jin Hua	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	2,850,000	(2,850,000)	–

Other than as disclosed above, as at 31 March 2004, none of the directors, nor their associates had any interests or short position in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than as disclosed above, none of the directors or their associates had any right to subscribe for securities of the Company, or had exercised any such right during the year, and at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having an interest of 5% or more in the issued share capital of the Company as at 31 March 2004.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2004, the five largest customers of the Group together accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 54% by value of the Group's total purchases during the year, with the largest supplier accounted for 42%.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors are not appointed for a specific term.

AUDIT COMMITTEE

The Company's audit committee comprising independent non-executive directors and non-executive directors.

The principal duties of the audit committee are reviewing the internal control and the financial reporting requirements of the Group. The audit committee is satisfied with the Group's internal control procedures and the financial reporting disclosures.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chau Lai Him

Chairman

23 July 2004

AUDITORS' REPORT



TO THE SHAREHOLDERS OF SOLARTECH INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 19 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 23 July 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2004

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover	4	1,197,100	946,222
Cost of sales		(1,058,812)	(792,516)
Gross profit		138,288	153,706
Other operating income		11,304	3,846
Interest income		4,024	8,230
General and administrative expenses		(96,984)	(97,045)
Selling and distribution expenses		(18,552)	(20,414)
(Allowance for) reversal of doubtful debts		(32,543)	1,450
Loss on disposal of investments in securities		–	(1,040)
Profit from operations	5	5,537	48,733
Finance costs	7	(14,798)	(14,264)
Impairment loss recognised in respect of goodwill	12	(63,653)	–
Share of results of associates		(5,726)	1,588
Share of result of a jointly controlled entity		–	(18,065)
Gain on disposal of subsidiaries		–	5,805
Loss on partial disposal of an associate		–	(6,800)
(Loss) profit before taxation		(78,640)	16,997
Taxation	8	(8,990)	(8,613)
(Loss) profit before minority interests		(87,630)	8,384
Minority interests		2,445	(119)
(Loss) profit for the year		(85,185)	8,265
			(Restated)
(Loss) earnings per share – basic	9	(37.9) cents	4.36 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2004

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	10	458,715	420,428
Interests in associates	12	9,596	4,108
Interests in jointly controlled entities	13	–	62,611
Notes receivable	14	55,000	55,000
Other assets	15	–	16,614
Deferred tax assets	21	1,366	1,319
		524,677	560,080
Current assets			
Inventories	16	229,274	182,897
Debtors, deposits and prepayments	17	344,585	264,953
Bills receivable		3,933	4,160
Pledged deposits	30	23,107	10,241
Bank balances and cash		143,630	108,830
		744,529	571,081
Current liabilities			
Creditors and accrued charges	18	114,760	94,429
Bills payable		20,596	13,013
Taxation		9,196	9,225
Obligations under finance leases	19	1,786	3,257
Borrowings	20	291,568	210,855
		437,906	330,779
Net current assets		306,623	240,302
Total assets less current liabilities		831,300	800,382

CONSOLIDATED BALANCE SHEET

At 31 March 2004

	NOTES	2004 HK\$'000	2003 HK\$'000 (Restated)
Non-current liabilities			
Obligations under finance leases	19	2,087	1,906
Deferred tax liabilities	21	11,809	9,442
		13,896	11,348
Minority interests			
		14,026	16,196
		803,378	772,838
Capital and reserves			
Share capital	22	2,730	1,896
Reserves		800,648	770,942
		803,378	772,838

The financial statements on pages 19 to 65 were approved and authorised for issue by the Board of Directors on 23 July 2004 and are signed on its behalf by:

Chau Lai Him
Director

Lau Man Tak
Director

BALANCE SHEET

At 31 March 2004

	NOTES	2004 HK\$'000	2003 HK\$'000
Non-current asset			
Interests in subsidiaries	11	<u>778,466</u>	<u>736,612</u>
Current assets			
Prepayments		<u>274</u>	<u>390</u>
Bank balances		<u>911</u>	<u>49</u>
		<u>1,185</u>	<u>439</u>
Current liability			
Accrued charges		<u>1,495</u>	<u>1,022</u>
Net current liabilities			
		<u>(310)</u>	<u>(583)</u>
		<u>778,156</u>	<u>736,029</u>
Capital and reserves			
Share capital	22	<u>2,730</u>	<u>1,896</u>
Reserves	23	<u>775,426</u>	<u>734,133</u>
		<u>778,156</u>	<u>736,029</u>

Chau Lai Him
Director

Lau Man Tak
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
THE GROUP									
At 1 April 2002									
- as previously stated	189,584	1,001,470	13,656	(70,370)	4,474	(16,217)	-	(364,585)	758,012
- prior year adjustment (Note 2)	-	-	(349)	-	-	-	-	(651)	(1,000)
- as restated	189,584	1,001,470	13,307	(70,370)	4,474	(16,217)	-	(365,236)	757,012
Surplus on revaluation of leasehold land and buildings	-	-	541	-	-	-	-	-	541
Reversal of deferred tax liability arising on revaluation of properties	-	-	207	-	-	-	-	-	207
Exchange difference on translation of financial statements of overseas operations	-	-	-	-	-	76	-	-	76
Net gains not recognised in the income statement	-	-	748	-	-	76	-	-	824
Capital reorganisation	(187,688)	(1,001,470)	-	-	-	-	587,482	601,676	-
Expenses incurred in relation to the capital reorganisation	-	-	-	-	-	-	(470)	-	(470)
Realised on partial disposal of interest in an associate	-	-	-	7,072	-	-	-	-	7,072
Minority share of post-acquisition reserve	-	-	135	-	-	-	-	-	135
Profit for the year	-	-	-	-	-	-	-	8,265	8,265
At 31 March 2003	1,896	-	14,190	(63,298)	4,474	(16,141)	587,012	244,705	772,838
Surplus on revaluation of leasehold land and buildings	-	-	7,708	-	-	-	-	-	7,708
Increase in opening deferred tax liability resulting from change in tax rate	-	-	(13)	-	-	-	-	-	(13)
Deferred tax liability arising on revaluation of properties	-	-	(1,557)	-	-	-	-	-	(1,557)
Exchange difference on translation of financial statements of overseas operations	-	-	-	-	-	443	-	-	443
Net gains not recognised in the income statement	-	-	6,138	-	-	443	-	-	6,581
Placement of new shares	834	43,136	-	-	-	-	-	-	43,970
Expenses incurred in relation to the placement of new shares	-	(965)	-	-	-	-	-	-	(965)
Realised on impairment of goodwill	-	-	-	63,653	-	-	-	-	63,653
Minority share of post-acquisition reserve	-	-	2,486	-	-	-	-	-	2,486
Loss for the year	-	-	-	-	-	-	-	(85,185)	(85,185)
At 31 March 2004	2,730	42,171	22,814	355	4,474	(15,698)	587,012	159,520	803,378

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

The retained profits of the Group include losses of HK\$13,720,000 (2003: HK\$7,994,000) attributable to the associates of the Group and losses of nil (2003: HK\$18,991,000) attributable to its jointly controlled entities.

The goodwill reserve includes negative goodwill of HK\$468,000 arising from the acquisition of subsidiaries. There was no movement in negative goodwill for both years ended 31 March 2004 and 2003.

The statutory reserve of the Group represents reserve required by the relevant PRC laws applicable to the Company's PRC subsidiaries.

The contributed surplus represented the net balance of after setting off accumulated losses of the Company as at 1 April 2002 from reduced share capital and cancelled share premium of the Company in accordance with the Company's capital reorganisation in 2002.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2004

NOTES	2004 HK\$'000	2003 HK\$'000
Operating activities		
Profit from operations	5,537	48,733
Adjustments for:		
Loss on disposal of investments in securities	–	1,040
(Gain) loss on disposal of property, plant and equipment	(10)	259
Depreciation and amortisation	37,870	36,494
Allowance for inventories	9,601	2,000
Allowance for (reversal of) doubtful debts	32,543	(1,450)
Impairment on club membership	600	–
Impairment on deposit paid for acquisition of investment	3,831	–
Dividend income	–	(200)
Interest income	(4,024)	(8,230)
Operating cash flows before movements in working capital	85,948	78,646
Increase in inventories	(55,009)	(24,482)
Increase in debtors, deposits and prepayments	(87,516)	(28,219)
Decrease in bills receivable	227	4,653
Increase (decrease) in creditors and accrued charges	19,859	(23,320)
Increase in bills payable	7,583	13,013
Translation adjustment	(11)	72
Cash (used in) generated from operations	(28,919)	20,363
Hong Kong Profits Tax paid	(3,628)	–
Taxation in other jurisdictions paid	(4,742)	(5,989)
Net cash (used in) from operating activities	(37,289)	14,374
Investing activities		
Dividend received	–	200
Interest received	715	8,230
Purchase of property, plant and equipment	(22,557)	(11,156)
Proceeds from disposal of property, plant and equipment	16	941
Proceeds from disposal of investments in securities	–	4,000
Acquisition of a subsidiary	24 630	–
Proceeds from disposal of subsidiaries	25 –	4,990
Proceeds from partial disposal of an associate	–	552
Advances to jointly controlled entities	–	(10,272)
Refund of deposit paid for acquisition of investment	969	–
(Increase) decrease in pledged deposits	(12,866)	26,064
Net cash (used in) from investing activities	(33,093)	23,549

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2004

	2004 HK\$'000	2003 HK\$'000
Financing activities		
Interest paid on bank borrowings	(14,362)	(12,824)
Interest paid on finance leases	(701)	(545)
Interest paid on convertible bonds	–	(895)
Proceeds from issue of shares	43,970	–
Expenses incurred in connection with the issue of shares	(965)	–
Expenses incurred in connection with the capital reorganisation	–	(470)
Repayment of convertible bonds	–	(32,500)
Repayment of obligations under finance leases	(3,729)	(7,981)
New bank loans raised	143,287	79,073
Repayment of bank loans	(128,801)	(91,424)
New trust receipt loans raised	544,936	266,351
Repayment of trust receipt loans	(485,054)	(314,780)
New invoice financing loans raised	162,587	192,744
Repayment of invoice financing loans	(154,965)	(145,165)
Net cash from (used in) financing activities	106,203	(68,416)
Net increase (decrease) in cash and cash equivalents	35,821	(30,493)
Cash and cash equivalents at beginning of the year	107,378	137,871
Effect of foreign exchange rate changes	256	–
Cash and cash equivalents at end of the year	143,455	107,378
Analysis of the balances of cash and cash equivalents		
Being:		
Bank balances and cash	143,630	108,830
Bank overdrafts	(175)	(1,452)
	143,455	107,378

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of cables and wires, copper rods and connectors and terminals. Its associates and jointly controlled entities are principally engaged in the manufacture of optical fibre cable.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the Hong Kong Financial Reporting Standards ("HKFRS") – Statement of Standard Accounting Practice ("SSAP") 12 Revised – "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. As a result of this change in policy, the retained earnings at 1 April 2003 has been decreased by HK\$2,185,000 (1 April 2002: HK\$651,000). The balance of the Group's asset revaluation reserve at 1 April 2003 has been decreased by HK\$142,000 (1 April 2002: HK\$349,000). The loss for the year has been increased by HK\$751,000 (2003: decrease in profit by HK\$1,534,000). The Group's asset revaluation reserve has been decreased by HK\$1,570,000 (2003: increased by HK\$207,000) for the year.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of leasehold properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisitions after 1 April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented as a deduction from intangible assets.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, other than land and buildings, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the revaluation increase is credited to the income statement to the extent of the revaluation decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Leasehold land is depreciated on a straight line basis over the term of the relevant lease and buildings are depreciated over the shorter of the term of the lease or fifty years using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Leasehold improvements	10%
Equipment, furniture and fixtures	20%
Plant and machinery	6.67% – 20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in subsidiaries

Investments in subsidiaries are included in the Company’s balance sheet at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an unilateral interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the goodwill paid on acquisition in so far as it has not already been amortised less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Turnover

Turnover represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts, during the year.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such exchange differences are recognised as income or as expenses in the year in which the operation is disposed of.

Retirement benefits schemes

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into three principal operating divisions – manufacture and trading of cables and wires, copper rods, and connectors and terminals. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2004

	Cables and wires HK\$'000	Copper rods HK\$'000	Connectors and terminals HK\$'000	Other HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	613,637	472,054	102,323	9,086	–	1,197,100
Inter-segment sales	8,152	151,691	438	–	(160,281)	–
Total sales	<u>621,789</u>	<u>623,745</u>	<u>102,761</u>	<u>9,086</u>	<u>(160,281)</u>	<u>1,197,100</u>
Inter-segment sales are charged at cost.						
RESULT						
Segment result	<u>1,657</u>	<u>28,197</u>	<u>9,816</u>	<u>(4,866)</u>		34,804
Unallocated corporate income						3,772
Unallocated corporate expenses						<u>(33,039)</u>
Profit from operations						5,537
Finance costs						(14,798)
Share of results of associates						(5,726)
Impairment loss recognised in respect of goodwill						<u>(63,653)</u>
Loss before taxation						(78,640)
Taxation						<u>(8,990)</u>
Loss before minority interests						(87,630)
Minority interests						<u>2,445</u>
Loss for the year						<u>(85,185)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. SEGMENTAL INFORMATION (continued)

Business segments (continued)

	Cables and wires HK\$'000	Copper rods HK\$'000	Connectors and terminals HK\$'000	Other HK\$'000	Consolidated HK\$'000	
BALANCE SHEET						
Assets						
Segment assets	644,403	391,100	61,537	65,545	1,162,585	
Interests in associates					9,596	
Unallocated corporate assets					97,025	
Consolidated total assets					1,269,206	
Liabilities						
Segment liabilities	85,580	26,937	18,660	1,222	132,399	
Unallocated corporate liabilities					319,403	
Consolidated total liabilities					451,802	
	Cables and wires HK\$'000	Copper rods HK\$'000	Connectors and terminals HK\$'000	Other HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
OTHER INFORMATION						
Capital additions	10,881	7,292	2,551	47,733	-	68,457
Depreciation and amortisation	23,083	8,984	1,781	4,022	-	37,870
Allowance for inventories	9,601	-	-	-	-	9,601
Allowance for doubtful debts	1,305	4,050	-	-	27,188	32,543

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. SEGMENTAL INFORMATION (continued)

Business segments (continued)

2003

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Connectors and terminals <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
TURNOVER					
External sales	596,955	267,380	81,887	–	946,222
Inter-segment sales	7,926	124,173	789	(132,888)	–
Total sales	<u>604,881</u>	<u>391,553</u>	<u>82,676</u>	<u>(132,888)</u>	<u>946,222</u>
Inter-segment sales are charged at cost.					
RESULT					
Segment result	<u>32,791</u>	<u>12,783</u>	<u>7,851</u>		53,425
Unallocated corporate income					3,400
Unallocated corporate expenses					<u>(8,092)</u>
Profit from operations					48,733
Finance costs					(14,264)
Share of result of an associate					1,588
Share of result of a jointly controlled entity					(18,065)
Gain on disposal of subsidiaries					5,805
Loss on partial disposal of an associate					<u>(6,800)</u>
Profit before taxation					16,997
Taxation					<u>(8,613)</u>
Profit before minority interests					8,384
Minority interests					<u>(119)</u>
Profit for the year					<u>8,265</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. SEGMENTAL INFORMATION (continued)

Business segments (continued)

	Cables and wires <i>HK\$'000</i>	Copper rods <i>HK\$'000</i>	Connectors and terminals <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
BALANCE SHEET				
Assets				
Segment assets	635,697	312,604	39,852	988,153
Interests in associates				4,108
Interests in jointly controlled entities				62,611
Unallocated corporate assets				76,289
Consolidated total assets				<u>1,131,161</u>
Liabilities				
Segment liabilities	79,119	20,418	6,004	105,541
Unallocated corporate liabilities				236,586
Consolidated total liabilities				<u>342,127</u>
OTHER INFORMATION				
Capital additions	8,549	930	2,077	11,556
Depreciation and amortisation	24,301	10,921	1,272	36,494
Allowance for inventories	2,000	–	–	2,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. SEGMENTAL INFORMATION (continued)

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China, other than Hong Kong (the "PRC"), North America, Europe and other Asian regions.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	2004 HK\$'000	2003 HK\$'000
PRC	773,106	527,175
North America	201,051	214,748
Europe	39,172	54,061
Hong Kong	40,633	28,356
Other Asian regions	143,138	121,882
	1,197,100	946,222

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property plant and equipment	
	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000
PRC	676,436	621,168	59,097	8,956
Hong Kong	479,311	363,569	6,783	515
North America	42,327	39,854	2,551	8
Other Asian regions	61,536	39,851	26	2,077
	1,259,610	1,064,442	68,457	11,556

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. PROFIT FROM OPERATIONS

	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	1,496	1,420
Underprovision in prior years	44	39
	1,540	1,459
Depreciation and amortisation		
Owned assets	36,707	33,524
Assets held under finance leases	1,163	2,233
Deferred expenditure included in general and administrative expenses	–	737
	37,870	36,494
Operating lease rentals in respect of rented premises	4,392	4,192
Staff costs including directors' emoluments	82,207	90,907
Research and development expenditure	2,435	2,891
Exchange loss, net	821	1,026
Loss on disposal of property, plant and equipment	–	259
Allowance for inventories	9,601	2,000
Impairment on club membership included in general and administrative expenses	600	–
Impairment on deposit paid for acquisition of investment included in general and administrative expenses	3,831	–
and after crediting:		
Dividend income from listed securities	–	200
Gain on disposal of property, plant and equipment	10	–
Interest on bank deposits	715	5,719
Interest on notes receivables	3,309	2,511

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

6. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the directors and the five highest paid individuals for the year were as follows:

	2004	2003
	HK\$'000	HK\$'000
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	178	352
Other emoluments to executive directors:		
Salaries and other benefits	4,958	6,834
Performance related incentive payments	631	824
Contributions to retirement benefits schemes	24	28
	5,791	8,038

Emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	6	7
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1

The five highest paid individuals of the Group include two (2003: three) executive directors of the Company, details of whose emoluments are included above. The emoluments of the remaining three (2003: two) individuals for the year ended 31 March 2004 were as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	2,314	1,584
Contributions to retirement benefits schemes	153	123
	2,467	1,707

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

6. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Emoluments of these individuals were within the following bands:

	Number of employees	
	2004	2003
Nil – HK\$1,000,000	2	1
HK\$1,000,001 – HK\$1,500,000	1	1

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings and other loans wholly repayable within five years	14,097	12,824
Interest on finance leases	701	545
Interest on convertible bonds	–	895
	14,798	14,264

8. TAXATION

	2004 HK\$'000	2003 HK\$'000 (Restated)
Hong Kong Profits Tax		
Current year	400	1,700
Underprovision in respect of prior years	98	–
Taxation in other jurisdictions		
Current year	7,773	5,536
Overprovision in respect of prior years	(32)	(303)
Deferred taxation (Note 21)		
Current year	51	1,680
Attributable to a change in tax rate	700	–
	8,990	8,613

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

8. TAXATION (continued)

Taxation in other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

Pursuant to the approvals obtained from the relevant PRC tax authorities, certain of the Company's PRC subsidiaries are entitled to exemptions from PRC enterprise income tax. Shanghai Chau's Electrical Co., Ltd. ("Shanghai Chau's") and Dongguan Hua Yi Brass Products Co., Ltd. ("Dongguan Hua Yi") are entitled to exemption from enterprise income tax for two years from their first profitable year of operations, followed by a 50% reduction for the next three years. The 50% tax relief expired on 31 December 2003 for both Shanghai Chau's and Dongguan Hua Yi and both companies are subject to PRC enterprise income tax rate of 27% commencing from 1 January 2004.

The charge for the year can be reconciled to the loss (profit) before taxation per the income statement as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(Loss) profit before taxation	(78,640)	16,997
Tax at the domestic income tax rate of 27% (2003: 27%)	(21,233)	4,589
Tax effect of expenses not deductible for tax purpose	29,383	10,658
Tax effect of income not taxable for tax purpose	(2,109)	(2,663)
Tax effect of tax losses not recognised	1,051	730
Income tax on concessionary rate	(1,271)	(2,536)
Under(over)provision in respect of prior years	66	(303)
Others	1,146	(4,335)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,257	2,473
Effect on change in tax rate on opening deferred tax liabilities	700	–
Tax charge for the year	8,990	8,613

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operation of the Group is substantially based.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Results for the year and results for the purpose of basic (loss) earnings per share	<u>(85,185)</u>	<u>8,265</u>
	Number of shares	
	2004	2003
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>224,816,029</u>	<u>189,584,362</u>

As the exercise of potential dilutive ordinary shares in respect of convertible bonds and share options would result in a reduction in the loss per share from ordinary activities (2003: an increase in the earnings per share), there was no dilution for each of the two years ended 31 March 2004 and 2003.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policy shown in note 2 above, is as follows:

	Basic <i>HK cents</i>
Reconciliation of 2003 earnings per share:	
Reported figure before adjustment	5.17
Adjustment arising from the adoption of SSAP 12 (Revised)	<u>(0.81)</u>
Restated	<u>4.36</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Equipment, furniture and fixtures <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST OR VALUATION						
At 1 April 2003	217,190	15,310	54,954	287,378	15,050	589,882
Currency realignment	–	3	13	(7)	1	10
Additions	460	2,092	6,422	15,040	982	24,996
Acquired on acquisition of a subsidiary	13,232	–	1,067	29,048	114	43,461
Disposals	–	(139)	–	–	(117)	(256)
Adjustment on valuation	(220)	–	–	–	–	(220)
At 31 March 2004	230,662	17,266	62,456	331,459	16,030	657,873
Comprising:						
At cost	–	17,266	62,456	331,459	16,030	427,211
At valuation – 2004	230,662	–	–	–	–	230,662
	230,662	17,266	62,456	331,459	16,030	657,873
DEPRECIATION AND AMORTISATION						
At 1 April 2003	–	5,078	34,452	122,160	7,764	169,454
Currency realignment	–	1	12	(2)	1	12
Provided for the year	7,928	1,327	5,304	21,826	1,485	37,870
Eliminated on disposals	–	(139)	–	–	(111)	(250)
Adjustment on valuation	(7,928)	–	–	–	–	(7,928)
At 31 March 2004	–	6,267	39,768	143,984	9,139	199,158
NET BOOK VALUES						
At 31 March 2004	230,662	10,999	22,688	187,475	6,891	458,715
At 31 March 2003	217,190	10,232	20,502	165,218	7,286	420,428

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The land and buildings of the Group were revalued on 31 March 2004 at their open market value on an existing use basis by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuers, as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Properties situated in the PRC		
– held under medium term leases	210,322	199,850
– held under long leases	12,200	11,000
Properties situated in Hong Kong held under medium term leases	8,140	6,340
	230,662	217,190

The net surplus arising on revaluation of HK\$7,708,000 (2003: HK\$541,000) has been credited to the asset revaluation reserve.

If leasehold land and buildings had not been revalued, they would have been included on a historical cost basis at the following amounts:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cost	244,891	244,431
Accumulated depreciation	(31,082)	(26,189)
Net book value at 31 March	213,809	218,242

At 31 March 2004, the net book value of property, plant and equipment of the Group includes plant and machinery of HK\$4,609,000 (2003: HK\$16,316,000) and motor vehicles of HK\$1,433,000 (2003: HK\$1,747,000) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

11. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	151,667	151,667
Amounts due from subsidiaries	1,209,808	1,167,954
Less: Impairment losses recognised	(583,009)	(583,009)
	778,466	736,612

The amounts due from subsidiaries are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current assets.

The following list contains only the particulars of the subsidiaries at 31 March 2004 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	US\$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK\$1,000 ordinary HK\$500,000 non-voting deferred (Note 1)	100% –	Manufacture and trading of cable and wire products
Chau's Electrical International, Inc.	United States of America	US\$20,000	100%	Trading

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

11. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Chau's Industrial Investments Limited	British Virgin Islands	US\$1,000	100%	Investment holding
Citigain Industrial Limited	Hong Kong	HK\$1,000	100%	Investment holding
Crown Earth Investments Limited	Hong Kong/ PRC	HK\$100	100%	Property holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.	PRC	US\$9,850,000 (Note 2)	100%	Manufacture and trading of copper products
東莞橋梓周氏電業有限公司 Dongguan Qiaozhi Chau's Electrical Co., Ltd.*	PRC	HK\$5,000,000 (Note 3)	75%	Manufacture and trading of cable and wire products
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.* ("Dongguan Xin Bao")	PRC	HK\$45,000,000	85%	Manufacture and trading of chemical products
Gosberton Assets Limited	British Virgin Islands	US\$1	100%	Holding of trademarks
Hua Yi Copper Products Company Limited	Hong Kong	HK\$100,000	100%	Manufacture and trading of copper products
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. *	PRC	US\$2,500,000	65%	Manufacture and trading of cable and wire products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

11. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Solartech Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Stocko Electronics Asia Pacific Pte Ltd	Singapore	S\$100,000	90.5%	Trading in wire harness and connectors
Todaji Electronics (M) Sdn. Bhd.	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
Wah Yeung Capital Resources Limited	British Virgin Islands	US\$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US\$1	100%	Investment holding

* *Equity joint venture*

Notes:

- The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.
- Prior to January 2004, Dongguan Hua Yi was an equity joint venture with a registered capital of US\$9,850,000. The Group has solely contributed all the registered capital of Dongguan Hua Yi. No contribution was made by the PRC joint venture partner and accordingly the Group was entitled to the entire profit or loss of Dongguan Hua Yi. Pursuant to a supplemental agreement dated 5 August 2003, the PRC joint venture partner agreed to surrender its ownership in Dongguan Hua Yi to the Group at no consideration. The transfer has been approved by the PRC relevant authority and Dongguan Hua Yi became a wholly foreign owned enterprise since January 2004.
- Dongguan Qiaozi Chau's Electrical Co., Ltd. ("Qiaozi Chau's") was established by the Group with an independent Chinese party in the PRC. Under the management agreement with the Chinese party, the Group is responsible for all of the assets and liabilities of the joint venture and is entitled to the net profit derived from its operations after the payment of a fixed amount as management fee to the Chinese party each year.
- Except for Chau's Industrial Investments Limited, all the subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

12. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	9,596	4,108
Amount due from an associate	5,000	5,000
Less: Impairment losses recognised	(5,000)	(5,000)
	9,596	4,108

During the year, the Group has reviewed the business of an associate which is engaged in manufacture and trading of optical fibre cables and related products. Based on expected cashflow, the directors considered that the related goodwill of HK\$63,653,000 has been fully impaired and written off in the income statement.

The amount due from an associate is unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

The following list contains only the particulars of the associates at 31 March 2004 which principally affect the results of the year or form a substantial portion of the net assets or liabilities of the Group, as the directors are of the opinion that a full list of all the associates would be of excessive length.

Name of company	Place of incorporation	Proportion of nominal value of issued capital indirectly held by the Company	Principal activities
Tonfu (Hong Kong) Holdings Limited	Hong Kong	42.75%	Manufacture and trading of optical fibre cable and related products
侯馬普天榮盛光纜有限公司	PRC	20%	Manufacture and trading of optical fibre cable and related products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

13. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	368	2,302
Goodwill on acquisition (Note)	48,784	48,784
Amounts due from jointly controlled entities	–	60,677
	49,152	111,763
Less: Impairment losses recognised	(49,152)	(49,152)
	–	62,611

Note: In prior years, the directors had reviewed the business of a jointly controlled entity and considered that the premium arising from acquisition had been fully impaired.

During the year, a jointly controlled entity has been reclassified as the Group's subsidiary. Details of the transaction are set out in note 24.

The amounts due from jointly controlled entities are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

Particulars of the Group's jointly controlled entity as at 31 March 2004 is as follows:

Name of company	Place of incorporation	Proportion of registered capital indirectly held by the Company	Principal activities
常州柏濤樓宇智能有限公司 Changzhou Bo Tao Lou Yu Zhi Neng Co., Ltd.	PRC	40%	Manufacture and distribution of computer network parts and components

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

14. NOTES RECEIVABLE

Pursuant to a sale and purchase agreement entered into between a Company's subsidiary and an independent third party in the prior year, the Group had disposed of certain subsidiaries at a total consideration of HK\$60,000,000 of which HK\$5,000,000 was settled in cash and HK\$55,000,000 will be settled by promissory notes. The notes are secured by assets owned by the notes issuer, carry interest at commercial rates and are wholly repayable in 2007.

15. OTHER ASSETS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Deposits paid for acquisition of investments (<i>Note 1</i>)	–	16,014
Club membership, at cost (<i>Note 2</i>)	–	600
	<u>–</u>	<u>16,614</u>

Notes:

- In prior years, deposits of HK\$16,014,000 has been paid for the acquisition of investments. During the year, HK\$11,214,000 has been transferred to interests in associates, HK\$969,000 has been refunded to the Group and the remaining HK\$3,831,000 has been considered irrecoverable by the directors and written off in the income statement.
- In the opinion of the directors, the club membership has been fully impaired and written-off during the year.

16. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	113,700	94,589
Work in progress	15,020	11,214
Finished goods	<u>100,554</u>	<u>77,094</u>
	<u>229,274</u>	<u>182,897</u>

All inventories are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

17. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, deposits and prepayments were trade debtors of HK\$269,426,000 (2003: HK\$188,131,000). The Group allows an average credit period of 45 days to its trade customers.

The aging analysis of trade debtors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	134,510	94,548
31 – 60 days	69,655	44,700
61 – 90 days	27,706	25,895
Over 90 days	37,555	22,988
	269,426	188,131

18. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges were trade creditors of HK\$81,445,000 (2003: HK\$63,284,000).

The aging analysis of trade creditors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	45,146	25,487
31 – 60 days	26,713	21,983
61 – 90 days	7,801	11,287
Over 90 days	1,785	4,527
	81,445	63,284

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

19. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amounts payable under finance leases				
Within one year	3,249	3,610	1,786	3,257
In the second to fifth year inclusive	1,036	2,437	2,087	1,906
	4,285	6,047		
Less: Future finance charges	(412)	(884)		
Present value of lease obligations	3,873	5,163	3,873	5,163
Less: Amount due within one year			(1,786)	(3,257)
Amount due after one year			2,087	1,906

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 4 years. For the year ended 31 March 2004, the average effective borrowing rate was 5.4% (2003: 4.8%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

20. BORROWINGS

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Borrowings are analysed as follows:		
Bank overdrafts	175	1,452
Bank loans	101,118	86,632
Trust receipt loans	135,074	75,192
Invoice financing loans	55,201	47,579
	<u>291,568</u>	<u>210,855</u>
Secured	175,542	84,282
Unsecured	116,026	126,573
	<u>291,568</u>	<u>210,855</u>

All the above borrowings are repayable on demand or within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

21. DEFERRED TAXATION

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Allowance for debtors <i>HK\$'000</i>	Allowance for inventories <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
At 1 April 2002					
– as previously reported	5,650	–	–	–	5,650
– adjustment on adoption of SSAP 12 (Revised)	4,906	(341)	(3,565)	–	1,000
– as restated	10,556	(341)	(3,565)	–	6,650
(Credit) charge to income statement for year	(807)	340	2,147	–	1,680
Credit to equity for the year	(207)	–	–	–	(207)
At 31 March 2003	9,542	(1)	(1,418)	–	8,123
Exchange difference	(1)	–	–	–	(1)
Charge (credit) to income statement for the year	2,382	(522)	827	(2,636)	51
Charge to equity for the year	1,557	–	–	–	1,557
Effect of change in tax rate					
– charge (credit) to income statement	709	–	(9)	–	700
– charge to equity	13	–	–	–	13
At 31 March 2004	14,202	(523)	(600)	(2,636)	10,443

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

21. DEFERRED TAXATION (continued)

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Deferred tax liabilities	11,809	9,442
Deferred tax assets	(1,366)	(1,319)
	10,443	8,123

At 31 March 2004, the Group has unused tax losses of HK\$9,500,000 (2003: HK\$4,300,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$2,988,000 (2003: Nil) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The tax losses of HK\$4,000,000 may be carried forward indefinitely and the remaining of HK\$5,500,000 can be carried forward for a maximum of five years.

The Company has unused tax losses of HK\$1,000,000 (2003: HK\$1,000,000) at 31 March 2004. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

22. SHARE CAPITAL

	Number of shares		Share capital	
	2004 '000	2003 '000	2004 HK\$'000	2003 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised	30,000,000	30,000,000	300,000	300,000
Issued and fully paid				
At beginning of the year	189,584	18,958,400	1,896	189,584
Placements of new shares	83,390	–	834	–
Capital reorganisation	–	(18,768,816)	–	(187,688)
At end of the year	272,974	189,584	2,730	1,896

22. SHARE CAPITAL (continued)

During the year, pursuant to two subscription agreements entered into between the Company and Chau's Family 1996 Limited, 37,900,000 ordinary shares of HK\$0.01 each and 45,490,000 ordinary shares of HK\$0.01 each in the Company were issued at a price of HK\$0.5 per share and HK\$0.55 per share respectively. All the new shares issued rank *pari passu* in all respects with the then existing shares.

In prior year, the Group undertook a capital reorganisation resulting in reduction of capital, consolidation of shares and cancellation of share premium:

- (a) the nominal value of all issued shares of HK\$0.01 each of the Company was reduced by HK\$0.0099 per share by cancelling an equal amount of paid-up capital so that the nominal value of each such share ("Reduced Share") was reduced from HK\$0.01 to HK\$0.0001. Accordingly, the issued share capital of the Company of HK\$189,584,000 was reduced by HK\$187,688,000 to HK\$1,896,000 and the credit arising from such reduction was credited to the contributed surplus account of the Company which was then applied to set off against accumulated losses of the Company;
- (b) every 100 issued Reduced Shares of HK\$0.0001 each were consolidated into one share of HK\$0.01 each ("Consolidated Share"). Accordingly, 189,584,362 Consolidated Shares of HK\$0.01 each were in issue after the consolidation; and
- (c) the share premium account of the Company was cancelled and the credit arising was credited to the contributed surplus account of the Company which was then applied to set off the accumulated losses of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

23. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1 April 2002	1,001,470	151,546	(601,676)	551,340
Capital reorganisation (<i>Note 22</i>)	(1,001,470)	587,482	601,676	187,688
Expenses incurred in relation to the capital reorganisation	–	(470)	–	(470)
Loss for the year	–	–	(4,425)	(4,425)
At 31 March 2003	–	738,558	(4,425)	734,133
Placement of new shares (<i>Note 22</i>)	43,136	–	–	43,136
Expenses incurred in relation to the placement of new shares	(965)	–	–	(965)
Loss for the year	–	–	(878)	(878)
At 31 March 2004	42,171	738,558	(5,303)	775,426

The contributed surplus of the Company represents:

- (i) the difference between the consolidated shareholders' funds of subsidiaries at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation in 1996; and
- (ii) the net balance of after setting off accumulated losses of the Company as at 1 April 2002 from reduced share capital and cancelled share premium of the Company in accordance with the Company's capital reorganisation in 2002.

In addition to the retained profits, under the Companies Act 1981 of Bermuda, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 March 2004 amounted to HK\$733,255,000 (2003: HK\$734,133,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

24. ACQUISITION OF A SUBSIDIARY

During the year ended 31 March 2004, the Group has made additional contribution equivalent to 30% of the registered capital of Dongguan Xin Bao, which was previously classified as a jointly controlled entity, and accordingly the equity interests attributable to the Group has become 85%. During the year, the Group has obtained the control over Dongguan Xin Bao and is therefore reclassified as a subsidiary.

	2004 HK\$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	43,461
Inventories	841
Debtors, deposits and prepayments	21,089
Bank balances and cash	17,864
Creditors and accrued charges	(649)
Minority interests	(2,761)
	79,845
Satisfied by:	
Cash consideration	17,234
Transferred from interests in jointly controlled entities	62,611
	79,845
Net cash inflow arising on acquisition:	
Cash consideration	17,234
Bank balances and cash acquired	(17,864)
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(630)

The subsidiary acquired during the year contributed HK\$9,086,000 to the Group's turnover and had a loss from operation of HK\$4,866,000 after its acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

25. DISPOSAL OF SUBSIDIARIES

In prior year, the Group disposed of certain subsidiaries. The net assets of these subsidiaries at the date of disposal were as follows:

	2003 HK\$'000
<hr/>	
NET ASSETS DISPOSED OF	
Goodwill	54,243
Property, plant and equipment	84
Debtors, deposits and prepayments	2,860
Bank balances and cash	10
Creditors and accrued charges	(3,002)
	<hr/>
	54,195
Gain on disposal	5,805
	<hr/>
Total consideration (Note)	60,000
	<hr/>
SATISFIED BY	
Cash consideration (Note)	5,000
Deferred consideration (Note)	55,000
	<hr/>
	60,000
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration (Note)	5,000
Bank balances and cash disposed of	(10)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	4,990
	<hr/>

Note: The total consideration amounted to HK\$60,000,000 of which HK\$5,000,000 was settled in cash and HK\$55,000,000 in promissory notes due in 2007.

The subsidiaries disposed of in 2003 did not have any significant impact on the Group's cash flows or operating results.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

26. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of assets with a total capital value at the inception of the leases amounted to HK\$2,439,000 (2003: HK\$400,000).

27. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Land use right	10,287	–
Leasehold improvements	224	79
Equipment, furniture and fixtures	–	2,471
Plant and machinery	619	–
	<u>11,130</u>	<u>2,550</u>
Capital expenditure for the next three years authorised but not contracted for in respect of plant and machinery	–	60,000

In addition, a subsidiary of the Company was committed to invest HK\$70,110,000 (2003: HK\$28,597,000) for the injection of registered capital of two subsidiaries within three years.

The Company did not have any capital commitment as at 31 March 2004 and 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

28. LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of factory premises which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	3,841	3,123
In the second to fifth year inclusive	5,756	1,770
	9,597	4,893

Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

The Company did not have any operating lease commitment as at 31 March 2004 and 2003.

29. CONTINGENT LIABILITIES

At 31 March 2004, the Company has given guarantees to the extent of HK\$389,718,000 (2003: HK\$249,537,000) to bankers to secure general banking facilities granted to certain subsidiaries, of which, HK\$229,890,000 (2003: HK\$153,775,000) was utilised. In addition, a subsidiary has given guarantees to banks in respect of bills of exchange discounted with recourse amounted to HK\$2,295,000 (2003: Nil).

30. PLEDGE OF ASSETS

At 31 March 2004, the Group has pledged certain of its assets with a net book value of HK\$181,991,000 (2003: HK\$166,100,000) to secure general banking facilities granted to the Group. The net book value of these assets are analysed as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Property, plant and equipment	142,410	151,690
Fixed bank deposits	23,107	10,241
Trade debtors	16,474	4,169
	181,991	166,100

31. SHARE OPTION SCHEMES

The Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme") was terminated in 2002 and no further options will be granted thereunder but in all other respects, the provisions of the scheme should remain in force and all outstanding share options granted prior to such termination continue to be valid and exercisable in accordance therewith.

The Company's new share option scheme was adopted pursuant to a resolution passed on 16 September 2002 (the "New Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 15 September 2012. Under the New Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries, associates and jointly controlled entities to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons.

The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant together with a payment of HK\$1 as consideration of the grant. Options may be exercised at any time from the date of grant to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant, and the nominal value of a share.

No option was granted under the New Share Option Scheme since its adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

31. SHARE OPTION SCHEMES (continued)

2004

The following table discloses movements in the Company's Old Share Option Scheme during the year:

Capacity	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
					Outstanding at 1.4.2003	Lapsed during the year	Outstanding at 31.3.2004
Directors	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	2,850,000	(2,850,000)	-
Employees	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	1,680,000	(1,680,000)	-
Employees	13 August 2001	6 months	13 February 2002 to 12 February 2004	1.00	2,850,000	(2,850,000)	-
					4,530,000	(4,530,000)	-
Total					7,380,000	(7,380,000)	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

31. SHARE OPTION SCHEMES (continued) 2003

Capacity	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options				
					Outstanding at 1.4.2002	Cancelled from 1.4.2002 to 16.9.2002	Adjusted on 17.9.2002 (Note)	Cancelled from 18.9.2002 to 31.3.2003	Outstanding at 31.3.2003
Directors	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	385,000,000	-	(385,000,000)	-	-
					-	-	3,850,000	(1,000,000)	2,850,000
					<u>385,000,000</u>	<u>-</u>	<u>(381,150,000)</u>	<u>(1,000,000)</u>	<u>2,850,000</u>
Employees	5 October 2000	6 months	5 April 2001 to 4 April 2003	1.50	178,000,000	(10,000,000)	(168,000,000)	-	-
					-	-	1,680,000	-	1,680,000
					<u>178,000,000</u>	<u>(10,000,000)</u>	<u>(166,320,000)</u>	<u>-</u>	<u>1,680,000</u>
Employees	13 August 2001	6 months	13 February 2002 to 12 February 2004	1.00	285,000,000	-	(285,000,000)	-	-
					-	-	2,850,000	-	2,850,000
					<u>285,000,000</u>	<u>-</u>	<u>(282,150,000)</u>	<u>-</u>	<u>2,850,000</u>
Total					<u>848,000,000</u>	<u>(10,000,000)</u>	<u>(829,620,000)</u>	<u>(1,000,000)</u>	<u>7,380,000</u>

Note: The Company undertook a capital reorganisation in September 2002. The then outstanding number of share options and their subscription prices had been adjusted accordingly.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

32. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

Pursuant to the PRC Government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC based on 10% to 24.5% of the salaries of those employees and there is no forfeited contributions under the central pension scheme.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits schemes contributions of HK\$2,942,000 (2003: HK\$2,311,000).

33. RELATED PARTY TRANSACTION

A director of the Group has provided personal guarantee to the extent of HK\$16,000,000 (2003: HK\$16,000,000) to banks for credit facilities granted to certain subsidiaries of the Company.

34. POST BALANCE SHEET EVENTS

- (i) On 25 March 2004, the Company entered into a conditional acquisition agreement with FT Holdings International Limited ("FT Holdings"), a listed company in Hong Kong. Pursuant to the agreement, the Company will dispose of the business of manufacture and trading of copper rods and related products to FT Holdings at an agreed value of HK\$320 million. Details of the transaction are set out in the Company's circular to the shareholders dated 14 June 2004.
- (ii) On 17 June 2004, Chau's Family 1996 Limited entered into agreements to place and subscribe for new shares in the Company. Pursuant to the agreements, Chau's Family 1996 Limited has agreed to place 54,000,000 ordinary shares of HK\$0.01 each in the Company to independent investors at a price of HK\$0.27 per share and to subscribe for 54,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.27 per share.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	1,197,100	946,222	875,531	1,061,788	1,043,974
(Loss) profit before taxation	(78,640)	16,997	(74,229)	(492,351)	677
Taxation	(8,990)	(8,613)	(31)	(527)	(176)
(Loss) profit before minority interests	(87,630)	8,384	(74,260)	(492,878)	501
Minority interests	2,445	(119)	(5,940)	284	214
(Loss) profit for the year	(85,185)	8,265	(80,200)	(492,594)	715

ASSETS AND LIABILITIES

	At 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	1,269,206	1,131,161	1,176,754	1,178,735	1,288,947
Total liabilities	(451,802)	(342,127)	(403,530)	(425,669)	(450,467)
Minority interests	(14,026)	(16,196)	(16,212)	(6,509)	(6,682)
Shareholders' funds	803,378	772,838	757,012	746,557	831,798

Note: Prior Periods have been adjusted to reflect the change in accounting policy for the adoption of the new or revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.